

**SUPPLEMENT TO THE
STANDARDS AND PROCEDURES
FOR AUDITS OF
CALIFORNIA K-12 LOCAL
EDUCATIONAL AGENCIES**

**ILLUSTRATIVE REPORTS
GASB 34**

October 2002

The statements presented here are for illustrative purposes only, for implementation of Government Accounting Standards Board (GASB) statement 34. Due to individual district differences, the actual statement presentation may need to be changed and should be adjusted accordingly to reflect the district's financial information. Additional guidance on presentation may be obtained from authoritative publications.

Contents

Page

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund	26
Statement of Fund Net Assets – Proprietary Funds	27
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	28
Statement of Cash Flows – Proprietary Funds.....	29
Statement of Fiduciary Net Assets – Fiduciary Funds.....	30
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	31
Notes to the Basic Financial Statements.....	32

Combining statements for non-major funds are not required, but may be presented as supplementary information.

Combining Statements and Individual Fund Schedules:

Combining Statements – Non-Major Funds:

Combining Balance Sheet – Non-Major Special Revenue Funds.....45

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances – Non-Major Special Revenue Funds.....46

Combining Balance Sheet – Non-Major Capital Projects Funds.....47

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances – Non-Major Capital Projects Funds.....48

Combining Balance Sheet – Non-Major Debt Service Funds.....49

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances – Non-Major Debt Service Funds.....50

Combining Statement of Changes in Assets and
Liabilities – All Agency Funds51

Individual Fund Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual:

Non-Major Special Revenue Funds.....52

Non-Major Capital Projects Funds56

Non-Major Debt Service Funds.....56

Supplementary Information Section (Refer to Appendix A in K-12 Audit Guide).....59

Board of Trustees
XYZ Unified School District
1983 Golden Bear Avenue
Sacramento, California 95814

INDEPENDENT AUDITOR'S REPORT¹

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the XYZ Unified School District, as of and for the year ended June 30, 20XX, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the XYZ Unified School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for its opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the XYZ Unified School District as of June 30, 20XX, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

¹ Note: Additional guidance regarding the Independent Auditor's Report may be provided by the AICPA in its publication "Audits of State and Local Governments," to be issued on September 30, 2002.

The Management's Discussion and Analysis on pages 3 through 18 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated *[date of report]*, on our consideration of the XYZ Unified School District's internal control over financial reporting and our tests of the district's compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of this audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise XYZ Unified School District's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of XYZ Unified School District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of XYZ Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

[Signature]

[Date]

XYZ UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)¹
For the Year Ended June 30, 20XX

An overview of the XYZ School District's financial activities for the fiscal year ended June 30, 20XX, is provided in this discussion and analysis of the district's financial performance.

This Management Discussion and Analysis should be read in conjunction with the district's financial statements (including notes and supplementary information), which begin on page 19.

USING THIS ANNUAL REPORT

This section should be a brief discussion of the basic financial statements, which include both district-wide financial statements and fund statements. Include a brief discussion of how the two sets of statements relate to each other and differ in information they provide. If enterprise funds are also reported by the district, they should be reported in separate columns/rows as business-type activities, with two exceptions: One based on the nature of activity² and one based on materiality.³ Districts that report discretely presented components should follow the requirements of GASBS No. 14 (as revised by GASBS No. 34.⁴)

¹ Districts want to avoid "boilerplate" answers. The term "boilerplate" describes information that is the same language regardless of author (i.e., footnotes to the financial statements that describe types of funds used for financial reporting purposes). GASB 37 amended paragraph 11 of Statement 34 (MD & A Requirements) to read "MD & A requirements established by this Statement are discussed in general rather than specific terms to encourage financial managers to effectively report only the most relevant information and to avoid 'boilerplate' discussion."

² Definitions for governmental and business-type activities are not precise and exact. Both definitions include the word "generally." The district may choose to "switch" an enterprise fund (reported as an enterprise fund as the district may want to measure the extent to which the activity is recovering its costs) to the governmental activities column for purposes of the government-wide financial statements. This change is a choice, not a *requirement*. Internal service funds should normally be reported as governmental activities (GASBS No. 34, paragraph 62); however, the services provided are at times more governmental in nature (used to finance goods and services for other funds of the district (usually governmental funds)). The exception is when internal service funds provide goods and services *only* to or *predominantly* to enterprise funds.

³ Immaterial business-type activities are not required to be reported separately. The district may report these within the governmental activities column in the statement of net assets. These activities may be combined within an administrative or similar function or may be reported as a separate row in the statement of activities.

⁴ GASBS No. 14, as revised, states, "transactions between the primary government and discretely presented component units (and between other discretely presented component units) should not be eliminated. Instead, these transactions should be treated as if the primary government and the component units are unrelated third parties." No eliminations should be made for transactions with discretely presented component units in the primary government columns, the discretely presented component unit column(s), or (if presented), the total government column.

FINANCIAL HIGHLIGHTS

- The district's financial status improved substantially for the second year in a row. Over the course of the year, there was a 22.3% increase in total net assets.
- Expenses were \$192,800 less than revenues. Revenues overall were \$13,294,200.
- Outlays for new capital assets were moderate, as the district has not planned new or additional construction. Capital assets increased due to acquiring assets through equipment donations and some cash outlay.
- Long-term outstanding debt has been reduced by \$202,400 or 9%.
- Enrollment in the district increased by less than 1%. This has caused funding to remain fairly constant.

REPORTING THE DISTRICT AS A WHOLE

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, Management Discussion and Analysis. The three sections together provide a comprehensive overview of the district. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, district-wide and funds.

- District-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the district's overall financial position.
- Individual parts of the district, which are reported as fund financial statements, focus on reporting the district's operations in more detail. These fund financial statements comprise the remaining statements.
 - ❖ Basic services funding (i.e., regular and special education) is described in the governmental funds statements. These statements include short-term financing and balance remaining for future spending.
 - ❖ Short and long-term financial information about the activities of the district that operate like businesses (such as food service or self-insurance funds) are provided in the proprietary funds statements.
 - ❖ Financial relationships, for which the district acts solely as an agent or trustee, for the benefit of others to whom the resources belong, are presented in the fiduciary fund statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements. A comparison of the district's budget for the year is included.

The Statement of Net Assets and the Statement of Activities

Analysis of the district as a whole starts on page 8.

This section should contain a discussion about the Statement of Net Assets and the Statement of Activities and how the reports present information relative to the district as a whole, and the district's activities. This includes all assets and liabilities using the accrual basis of accounting (similar to private-sector accounting used by most companies). Regardless of when cash is received or paid out, all of the current year's revenues and expenses are taken into account. Non-financial factors, as well as the effect on the district, may need to be considered and discussed in this section.

The district as a whole is reported in the district-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the district's assets and liabilities are included in the statement of net assets. The statement of activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The district's financial health or position (net assets) can be measured by the difference between the district's assets and liabilities.

- Increases or decreases in the net assets of the district over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities, and changes in the property tax base of the district need to be considered in assessing the overall health of the district.

In the Statement of Net Assets and the Statement of Activities, we divide the district into two kinds of activities:

- Governmental activities: *(List type of services and how they are financed.)*

The basic services provided by the district, such as regular and special education, administration, and transportation are included here. Property taxes and state formula aid finance most of these activities.

- Business-type activities: *(List business activities and how costs are covered.)*

The district charges fees to help cover the costs of certain services it provides. Food services that are beyond the scope of normal district operations are included in this type of activity.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

This section should include a discussion of the district's major funds, and should provide detailed information about the most significant funds only, not the district as a whole. If governmental and proprietary funds use different accounting approaches, it should be so noted.

More detailed information about the district's most significant funds—not the district as a whole are provided in the fund financial statements. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by bond covenants and by state law.
- Other funds are established by the district to control and manage money for particular purposes (such as repaying its long-term debts). Other funds may also show proper usage of certain revenues (such as federal grants).

The district has three kinds of funds:

- **Governmental funds:** *Discuss the following: what the district is reporting as governmental funds; how cash, and other assets readily converted to cash, flow in and out; accounting method and how cash and other financial assets are measured; time measurement focus of the fund statements; changes in financial resources for financing programs; relationship of governmental activities (as reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.*

Most of the district's basic services are included in governmental funds, which generally focus on:

1. How cash and other financial assets can readily be converted to cash flow (in and out).
2. The balances left at year-end that are available for spending.

A detailed short-term view is provided by the governmental fund statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the district's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is provided at the bottom of the governmental fund statements that explains the differences (or relationships) between them.

- **Proprietary funds:** *Discuss who is charged for full cost of services provided and reported under proprietary funds. Include any differences in reporting of proprietary funds to the Statement of Net Assets and the Statement of Activities. Provide more detail and additional information for enterprise funds (may be same as business-type activities) that are reported in the district-wide statements.*

The proprietary fund category includes Enterprise and Internal Service Fund.

One type of proprietary fund, an enterprise fund, is the same as the business-type activities, but provides more detail and additional information, such as cash flows. Internal Service funds (the other type of proprietary fund) reports activities that provide supplies and services for the other programs and activities of the district. Proprietary funds are reported in the same way as the district-wide statements.

- ◆ The district's enterprise fund currently consists of Food Services. The Food Service fund reports activities that provide cafeteria and catering services for the staff and special activities outside of the normal operation of the district.
- ◆ Currently, the district has one internal service fund—the employee insurance fund.

- **Fiduciary funds:** *This section should discuss whether the district is a trustee or fiduciary for any funds. Fiduciary activities should be reported in a separate Statement of Fiduciary Net Assets. It should be noted that the activities are excluded from the district's financial statements, as the district cannot use the assets to finance its operations. This discussion should include a statement that the district is responsible for ensuring that the assets are used only for their intended purposes.*

For assets that belong to others, such as the scholarship fund and/or student activities funds, the district acts as the trustee, or fiduciary. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. A separate statement of fiduciary net assets and a statement of changes in fiduciary net assets reports the district's fiduciary activities. These activities are excluded from the district-wide financial statements, as the assets cannot be used by the district to finance its operations.

Major funds analysis begins on page 13. Beginning on page 22 are the fund financial statements.

THE DISTRICT AS A WHOLE⁵

This section should discuss changes in combined net assets. Governmental and business-type activities should be shown separately, each with their own explanation. An analysis of the net assets (table 1) and changes in net assets (table 2) should appear in this section.

⁵ GASB has recognized that prior-year information, in the year that districts first apply the standard, will not generally be available and districts are permitted to omit district-wide comparisons. GASB No. 34, paragraph 145, encourages governments to present comparative data that is based on key information presented in the fund financial statements for total governmental funds and total enterprise funds. A comment should be included in the first MD & A that a comparative analysis of government-wide data will be presented in future years. The MD & A may NOT be omitted in the first year that GASB No. 34 is first applied.

Net Assets

Table 1: Net Assets

	Governmental Activities		Business-type Activities		District Total	
	20XX	20XX	20XX	20XX	20XX	20XX
Current and other assets						
Cash	\$ 619,100	\$ 260,400	\$300,000	\$159,000	\$ 919,100	\$ 419,400
Receivables	194,000	140,000	—	—	194,000	140,000
Other receivables	210,400	—	—	—	210,400	—
Due from other funds	10,000	9,505	4,000	4,000	14,000	13,505
Investments	1,080,000	592,400	—	—	1,080,000	377,000
Inventories	28,500	14,500	—	—	28,500	14,500
Capital assets	7,500,000	7,600,000	—	—	7,500,000	7,600,000
Total assets	9,642,000	8,616,805	304,000	163,000	9,946,000	8,564,405
Long-term debt outstanding	1,844,730	2,256,000	—	—	1,844,730	2,256,000
Other liabilities	532,400	325,000	14,000	23,000	546,400	348,000
Total liabilities	2,377,130	2,581,000	14,000	23,000	2,391,130	2,604,000
Net assets:						
Invested in capital assets, net of related debt	5,655,270	4,478,405	—	—	5,655,270	4,478,405
Restricted	381,600	422,000	—	—	381,600	422,000
Unrestricted (deficit)	1,017,600	920,000	290,000	140,000	1,307,600	1,714,400
Total net assets	\$7,264,870	\$6,035,805	\$290,000	\$140,000	\$7,554,870	\$6,175,805

A summary of the analysis of the facts from the above table should be presented here.

The district's combined net assets increased more than \$1,379,065 or 22.3%, and were significantly larger on June 30, 20XX, than they were the year before. Most of the improvement in the district's financial position came from governmental activities, the net assets of which grew from \$6,035,805 to \$7,264,870. While the dollar growth was smaller, Business-type Activities increased \$150,000, to \$290,000. Nevertheless, it represented an increase of 107%.

Many factors contributed to the improved financial position. However, certain events of the last year stand out beyond others:

- The district did not issue any new bonds this year.
- The district deferred planned-for expenditures to subsequent years.
- The district revenues increased due to a new funding source.

For the year of implementation, a statement that a "comparative analysis of government-wide data will be presented in future years" should be included in this section.

Changes in Net Assets

Other fiscally related items that are not presented elsewhere in the financial statements (i.e. financial ratios) can be inserted in this area as well. The general purpose of this information should be to enhance the understanding of the reader.

The total revenues (excluding any special items) of the district increased by 10.2% to \$14,061,200. See Table 2. The district's revenue is accounted for mostly by property taxes and state formula aid. An additional 8.6% of revenues was provided by federal and state aid for specific programs, with the remainder from fees charged for services and miscellaneous sources.

Table 2: Changes in Net Assets

	Governmental Activities		Business-type Activities		District Total	
	20XX	20XX	20XX	20XX	20XX	20XX
Revenues						
Program revenues:						
State apportionments	\$ 7,047,000	\$ 7,041,000			\$ 7,047,000	\$ 7,041,000
Local sources	2,000,000	1,995,900			2,000,000	1,995,900
Federal	1,081,000	1,002,000			1,081,000	1,002,000
General revenues:						
Other state	2,333,000	1,200,000			2,333,000	1,200,000
Other local	833,200	822,100			833,200	822,100
Other grants and contributions						
Interest and investment earnings			\$ 7,000	\$ 6,000	7,000	6,000
Other general revenues			760,000	693,000	760,000	693,000
Total revenues	13,294,200	12,061,000	767,000	699,000	14,061,200	12,760,000
Program expenses:						
Certificated salaries	5,582,200	5,508,000			5,582,200	5,508,000
Classified salaries	2,448,500	2,431,750			2,448,500	2,431,750
Employee benefits	1,564,300	1,784,125			1,564,300	1,784,125
Books and supplies	755,000	742,000			755,000	742,000
Services, other operating expenses	1,459,000	982,423	10,000		1,469,000	982,423
Capital outlay	969,000	62,000			969,000	62,000
Other outgo	323,400	89,702	600,000	592,000	923,400	681,702
Direct support/indirect costs						
Total expenses	13,101,400	11,600,000	610,000	592,000	13,711,400	12,192,000
Excess / (deficiency) before special items and transfers	\$ 192,800	\$ 461,000	\$ 157,000	\$ 107,000	\$ 349,800	\$ 568,000

Increase/Decrease in Net Assets

This summary section should describe why the increase/decrease has occurred. An analysis should be done if governmental activities and business-type activities can be broken out separately.

The total programs and services costs increased by \$360,732 or 3.2%.

The \$90,950 increase in instructional-related costs relates largely to salary increases for teachers and other educational staff.

Total revenues exceeded expenses by \$349,800, which decreased from the prior-year excess of \$568,000. Both business-type and governmental activities contributed to the financial status of the district.

Governmental Activities

(Effective presentation of the analytical results may require use of charts, tables, graphs, narrative, or a combination of any of the above methods.)

Governmental activities decreased the district's revenues by 46.2%, and expenses increased by 13.2%. The net assets increase was due to revenue increases in other state funding. Additional state funding was received for staff development. This additional funding reflects upon the increased cost of instructional and support services. This was the second year that net assets increased.

The district has made management changes, including adequate training for district staff members, more focus on innovative student activities, interactive learning opportunities, and cutbacks in overstaffed administrative positions.

Table 3: Governmental Activities

	Total Cost of Services		Net Cost of Services	
	20XX	20XX	20XX	20XX
Instruction	7,894,100	7,803,150	7,074,100	6,983,150
Support services	3,294,700	3,117,000	2,278,795	2,101,508
Ancillary services	209,100	202,600	202,650	196,140
Community services	969,000	850,000	967,790	847,790

Business-type Activities

(Effective presentation of the analytical results may require use of charts, tables, graphs, narrative, or a combination of any of the above methods.)

	Total Cost of Services		Net Cost of Services	
	20XX	20XX	20XX	20XX
Food products & services	10,000	—	—	—

The district's business-type activities consisted of food service and self-insurance activities. The revenues increased by \$67,000, a 9.7% increase over the prior year. The increase in revenues was due to an increase in premiums and food sales. Expenditures increased only \$18,000 over the prior-year expenditures. This reflects only a 3% increase in expenses. The premiums exceeded the claims paid out, increasing the total operating income by \$150,000, which increased the total net assets by \$150,000 over the prior year. The food service costs were the same as food sales; therefore, there was no net effect.

THE DISTRICT'S FUNDS

General Governmental Functions

This section should contain a discussion of an analysis of current-and prior year governmental funds (in particular the general fund). During the implementation year, this will be very difficult and the discussion should so note that in subsequent years this section will discuss and analyze significant differences. If individual funds are not affected by the new accounting standards, a review of those funds should be shown.

A summary of fund analysis may need to be included, with an explanation of any variances and future projected expectations.

A schedule presenting a summary of general, special revenue, capital project, debt service, and permanent fund revenues and expenditures for the fiscal year, variances, and variance percentages would be appropriate in this section.

Table 4: Summary of Revenues for Governmental Functions

Revenues:	FYE 20XX Amount	Percent of Total	Increase (Decrease) from FYE 20XX	Percent Increase (Decrease)
Revenue limit sources				
State apportionments	\$ 7,047,000	53.0	\$ 6,000	.09
Local sources	2,000,000	15.0	4,100	.21
Federal	1,081,000	8.1	79,000	7.9
Other state	2,333,000	17.5	1,133,000	94.4
Other local	833,200	6.4	41,100	5.2
Total revenues	\$13,294,200	100.0	\$ 1,263,200	10.5

A short discussion of variances and reasons for variances should summarize the above schedule.

The district's increase in total revenues was largely due to other state revenues increasing. This increase is a reflection of an infusion of state money for staff development purposes. The local revenue increase, .21% of the total increase, was due to an increase in property tax values, thereby increasing the amount of taxes collected. The federal revenue increase of \$79,000, 7.9% of the total increase, was due to additional funding for professional and staff development purposes.

Table 5: Summary of Expenditures by Object

	FYE XX Amount	Percent of Total	Increase (Decrease from FYE XX)	Percent Increase (Decrease)
Expenditures by object:				
Certificated salaries	\$ 5,582,200	42.6	\$ 74,200	1.3
Classified salaries	2,448,500	18.7	16,750	0.7
Employee benefits	1,564,300	11.9	(219,825)	(12.3)
Books and supplies	755,000	5.8	13,000	1.8
Services, other operating expenses	1,459,000	11.1	501,577	52.4
Capital outlay	969,000	7.4	907,000	1463.0
Other outgo	323,400	2.5	233,698	260.5
Direct support/indirect costs	0	0.0	0	0.0
Total expenses	\$13,101,400	100.0	\$1,526,400	13.2

A short discussion of variances and reason for variances should summarize the above schedule.

Total district expenses increased over the prior year. The changes attributed to this include acquiring capital assets of \$2,200,000 and retiring \$600,000 of machinery and equipment. Services and other operating expenses increased due to additional community involvement, thereby increasing operational costs. Employee benefits decreased as several long-term certificated employees left the district. Other outgo expenditures primarily consist of additional investments to the local agency investment fund (LAIF).

Business-type Funds

This section should contain a description of the district's Business-type Funds. As the focus on Business-type Funds is a cost of service measurement or capital maintenance, these funds are included in Table 6. A description of what Table 6 shows should be included (i.e., return on ending assets and return on ending net assets).

A description or short narrative of pertinent factors affecting the Business-type Funds should be noted at this point. This might include policies passed by the board or other governing body that affect the district. In addition, a short discussion on sufficient revenue generation and sufficient cash flow generation would be appropriate in this section.

Any litigation that affects the Business-type Funds could be mentioned in this section as well.

The district's Business-type Funds consist of the food service fund, which records the food service activities, and the internal service fund, which records the self-insurance activities of the district.

Table 6: Changes in Net Assets

Business-type funds	Food Services	Self-Insurance	Business-type activity	Non-Major Enterprise Funds
Total assets	—	\$ 304,000	—	—
Net assets	—	290,000	—	—
Change in net assets	—	\$ 150,000	—	—
Return on ending total assets	—	217%	—	—
Return on ending net assets	—	207%	—	—

The governing board passed an approval to increase the self-insurance premiums effective the beginning of the fiscal year. This increase in premiums, along with a decrease in claim pay-outs, resulted in an overall increase in net assets of \$150,000. The change in net assets represented a 207% increase in net assets and a return on ending total assets of 217%.

The activities of the food services fund resulted in no changes to the net assets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

This section should summarize capital asset investments and a generalized statement of what assets are held (i.e., property, buildings, equipment, etc.) and the increase/decrease over the prior year.

Table 7: Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	20XX	20XX	20XX	20XX	20XX	20XX
Land	\$ 1,100,000	\$ 1,100,000	—	—	\$ 1,100,000	\$ 1,100,000
Buildings & Improvements	5,200,000	4,500,000	—	—	5,200,000	4,500,000
Machinery & Equipment	1,200,000	2,000,000	—	—	1,200,000	2,000,000
Totals	\$ 7,500,000	\$ 7,600,000	—	—	\$ 7,500,000	\$ 7,600,000

A summary of the major additions and totals should be included here.

The district upgraded the heating and air conditioning systems throughout the district, as the previous HVAC system was extremely old and not operating properly. In addition, the music department's instruments were desperately in need of replacement. The governing board approved the purchase of needed instruments and sound equipment. Additional sound equipment was acquired through donation from a private sound equipment company.

Debt

This section should contain a discussion of the district's debt (outstanding notes, capital leases etc.) and the overall increase/decrease.

Table 8: Outstanding Debt, at Year-end

	Governmental Activities		Business-type Activities		Total	
	20XX	20XX	20XX	20XX	20XX	20XX
General obligation bonds	\$ 325,000	\$ 365,000	—	—	\$ 325,000	365,000
Capital leases	390,000	490,000	—	—	390,000	490,000
Certificates of participation	1,150,000	1,200,000	—	—	1,150,000	1,200,000
State school building loans payable	111,130	131,530	—	—	111,130	131,530
Compensated absences	79,000	71,000	—	—	79,000	71,000
Totals	\$2,055,130	\$2,257,530	—	—	\$2,055,130	2,257,530

A summary of the district's debt should be included. This should include new debt issued and why it was issued, bond ratings, any debt to be retired in the coming year, and any other pertinent facts regarding the district's debt. A statement that more detailed information is presented in the notes to the basic financial statements would be appropriate; however, the basics should be presented in this statement.

The district has not issued any new debt during the fiscal year. Although the district has continued to pay down the overall debt, the district does not have any plans to retire any specific debt instrument in the coming fiscal year. Compensated absences increased by \$8,000, which agreed with the district's projection and budget allowances. The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

This section should discuss the overall economic factors and budgetary items that affect the next year's budget (this may include how many times the budget was revised during the course of the fiscal year and why). Any provisions made for projected downtrends in revenues may be disclosed in this section (i.e., compensating factors that are being exercised, cutbacks, contingency plans etc.). Any significant changes that the district is planning for (revenues or expenditures) should be disclosed in this section.

Specific factors that affect only business-type activities or only governmental activities may be broken out separately in this section.

Additional funding from the state and federal governments for staff development was announced and received by the district after the initial budget had been prepared. This also required a revision of the budget and has influenced the next year's budget, as the additional funding is for a two-year period.

The district's projection for student attendance reflects a less than 1% increase in average daily attendance. Therefore, state apportionment revenues are projected to remain fairly constant. Any changes in the base rate would most likely be attributable to a cost-of-living adjustment.

Expenditures are projected to increase as more resources are to be spent on staff development.

The district has projected that postemployment benefits (other than pension benefits) will increase in the coming fiscal year. This is due to a number of long-term certificated employees nearing retirement age and having notified the district of their intent to retire at the end of the following fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This section should contain a statement that the financial report is designed to provide a general overview of the district's finances and to show the district's accountability for funds received. It should include an address (i.e., district office) as a contact for additional information or questions about the report.

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the district's finances and to show the district's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Mr. Thomas Sharp, Assistant Superintendent, XYZ Unified School District, 1983 Golden Bear Ave., Sacramento, CA 95814.

XYZ Unified School District
Statement of Net Assets
June 30, 20XX

	Governmental Activities	Business-type Activities	Total
Assets			
Cash in county treasury (Note 2)	\$ 614,600	\$ 300,000	\$ 914,600
Cash on hand and in banks (Note 2)	2,000	—	2,000
Cash in revolving fund (Note 2)	2,500	—	2,500
Investments (Note 2)	1,080,000	—	1,080,000
Accounts receivable (Note 4)	194,000	—	194,000
Other receivables (Note 4a)	210,400	—	210,400
Due from other funds (Note 5)	—	4,000	4,000
Stores inventories—supplies (Note 1G2)	22,500	—	22,500
Stores inventories—food (Note 1G2)	6,000	—	6,000
Capital assets:			
Land (Note 6)	1,100,000	—	1,100,000
Buildings and improvements (Note 6)	5,900,000	—	5,900,000
Machinery and equipment (Note 6)	2,200,000	—	2,200,000
Work in progress	—	—	—
Less accumulated depreciation (Note 6)	(1,700,000)	—	(1,700,000)
Total capital assets, net of depreciation (Note 6)	7,500,000	—	7,500,000
Total assets	<u>\$ 9,632,000</u>	<u>\$ 304,000</u>	<u>\$ 9,936,000</u>
Liabilities			
Accounts payable	\$ 283,000	\$ 14,000	\$ 297,000
Current Loans	—	—	—
Deferred revenue (Note 1G4)	25,000	—	25,000
Due to other funds (Note 5)	4,000	—	4,000
Long-term liabilities:			
Due within one year:			
Certificates of participation (Note 7)	50,000	—	50,000
Capital leases (Note 8)	100,000	—	100,000
General obligation bonds payable (Note 9)	40,000	—	40,000
State school building loans payable (Note 10)	20,400	—	20,400
Total due within one year:	<u>210,400</u>	<u>—</u>	<u>210,400</u>
Due after one year			
Certificates of participation (Note 7)	1,100,000	—	1,100,000
Capital leases (Note 8)	290,000	—	290,000
General obligation bonds payable (Note 9)	285,000	—	285,000
State school building loans payable (Note 10)	90,730	—	90,730
Compensated absences (Note 1G5)	79,000	—	79,000
Total due after one year	<u>1,844,730</u>	<u>—</u>	<u>1,844,730</u>
Total liabilities	<u>\$ 2,367,130</u>	<u>\$ 14,000</u>	<u>\$ 2,381,130</u>
Net assets			
Invested in capital assets, net of related debt	5,655,270	—	5,655,270
Restricted:			
For debt service	165,600	—	165,600
For other purposes	216,000	—	216,000
Unrestricted	<u>1,017,600</u>	<u>290,000</u>	<u>1,307,600</u>
Total net assets	<u>\$ 7,264,870</u>	<u>\$ 290,000</u>	<u>\$ 7,554,870</u>

The notes to the financial statements are an integral part of this statement.

XYZ Unified School District
Statement of Activities¹
Year Ended June 30, 20XX

Governmental Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capitol Grants and Contributions
Instruction	\$ 5,582,200	—	\$ 445,000	—
Instructional and school leadership	2,311,900	\$ 100,565	274,435	—
Support services – student based	1,564,300	205,000	151,355	—
Administrative support services	1,210,500	—	285,000	—
Support services – non-student based	729,000	—	381,000	—
Community services	969,000	—	1,210	—
Interest on long-term debt	118,530	—	—	—
Depreciation (unallocated)*	645,970	—	—	—
Total Governmental Activities	\$ 13,131,400	\$ 305,565	\$ 1,538,000	—
Business type activities				
Food services	10,000	10,000	—	—
Enterprise activities	—	—	—	—
General administration	—	—	—	—
Plant services	—	—	—	—
Other outgo	—	—	—	—
Total business-type activities	\$ 10,000	\$ 10,000	—	—

General Revenues:

Property taxes levied for:

General purposes

Debt service

Other specific purposes

Federal and state aid not restricted to specific purposes

Interest and investment earnings

Transfers

Special items (omit line if item is zero)

Extraordinary items (omit line if item is zero)

Miscellaneous

Total general revenue

Change in net assets

Net assets beginning

Net assets ending

The notes to the financial statements are an integral part of this statement.

* This amount excludes depreciation that is included in the direct expenses of the various programs.

¹ Governments are encouraged to provide data in the statement of activities at a more detailed level if the additional detail provides more useful information without significantly reducing readers' ability to understand the statement. No specific level of detail is appropriate for all governments; some have hundreds of programs and others have only a few. Therefore, reporting in greater detail than the minimum requirements in GASB 34 may be practical for some governments but not for others.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (5,137,200)	—	\$ (5,137,200)
(1,936,900)	—	(1,936,900)
(1,207,945)	—	(1,207,945)
(925,500)	\$ 150,000	(775,500)
(348,000)	—	(348,000)
(967,790)	—	(967,790)
(118,530)	—	(118,530)
(645,970)	—	(645,970)
<u>\$ (11,287,835)</u>	<u>\$ 150,000</u>	<u>\$ (11,137,835)</u>
—	—	—
—	—	—
—	—	—
—	—	—
<u>—</u>	<u>—</u>	<u>—</u>
<u>—</u>	<u>—</u>	<u>—</u>
6,977,300	—	6,977,300
1,509,300	—	1,509,300
1,397,900	—	1,397,900
2,220,400	—	2,220,400
—	7,000	7,000
—	—	—
—	—	—
—	—	—
412,000	—	412,000
<u>12,516,900</u>	<u>7,000</u>	<u>12,523,900</u>
1,229,065	150,000	1,379,065
6,035,805	140,000	6,175,805
<u>\$ 7,264,870</u>	<u>\$ 290,000</u>	<u>\$ 7,554,870</u>

XYZ Unified School District
Balance Sheet
Governmental Funds
June 30, 20XX

	General Fund	Special Revenue Fund	Other * Governmental Funds	Total Governmental Funds
Assets				
Cash in county treasury (Note 2)	\$ 260,000	\$ 160,000	\$ 194,600	\$ 614,600
Cash on hand and in banks (Note 2)	—	2,000	—	2,000
Cash in revolving fund (Note 2)	2,500	—	—	2,500
Investments (Note 2)	1,000,000	—	80,000	1,080,000
Accounts receivable (Note 4)	82,000	78,000	34,000	194,000
Other receivables (Note 4a)	210,400	—	—	210,400
Due from other funds (Note 5)	—	—	10,000	10,000
Stores inventories – supplies (Note 1G2)	17,500	5,000	—	22,500
Stores inventories – food (Note 1G2)	—	6,000	—	6,000
Total assets	<u>\$1,572,400</u>	<u>\$ 251,000</u>	<u>\$ 318,600</u>	<u>\$ 2,142,000</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 216,000	\$ 55,000	\$ 12,000	\$ 283,000
Deferred revenue (Note 1G4)	25,000	—	—	25,000
Due to other funds (Note 5)	14,000	—	—	14,000
Due within one year	<u>210,400</u>	<u>—</u>	<u>—</u>	<u>210,400</u>
Total liabilities	<u>465,400</u>	<u>55,000</u>	<u>12,000</u>	<u>532,400</u>
Fund balances:				
Reserved for revolving fund	2,500	—	—	2,500
Reserved for stores inventories	17,500	11,000	—	28,500
Reserved for debt service	—	—	165,600	165,600
Designated for economic uncertainties	185,000	—	—	185,000
Undesignated fund balance	<u>902,000</u>	<u>185,000</u>	<u>141,000</u>	<u>1,228,000</u>
Total fund balances	<u>1,107,000</u>	<u>196,000</u>	<u>306,600</u>	<u>1,609,600</u>
Total liabilities and fund balances	<u>\$1,572,400</u>	<u>\$ 251,000</u>	<u>\$ 318,600</u>	<u>\$ 2,142,000</u>

The notes to the financial statements are an integral part of this statement.

* “Other Governmental Funds” is comprised of the Debt Service and Capital Projects Funds, which are *non-major* funds for this school district. The focus of governmental and proprietary fund financial statements is on *major funds*. The government’s main operating fund (the general fund or its equivalent) should always be reported as a major fund. Other individual governmental and enterprise funds should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 10% of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (i.e., total governmental or total enterprise funds), *and*
- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government’s officials believe is particularly important to financial statement users (for example, because of public interest or consistency) may be presented as a major fund.

XYZ Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 20XX

Total fund balances—governmental funds	\$1,609,600
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$9,200,000, and the accumulated depreciation is \$1,700,000. \$7,500,000

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.
Long-term liabilities at year-end consist of:

Certificates of participation	\$1,100,000	
Capital leases	290,000	
General obligation bonds payable	285,000	
State school bonds payable	90,730	
Compensated absences	<u>79,000</u>	<u>(\$1,844,730)</u>

Total net assets—governmental activities	<u>\$7,264,870</u>
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The notes to the financial statements are an integral part of this statement.

XYZ Unified School District
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 20XX

	Governmental Fund Types			Total Governmental Funds
	General	Special Revenue	Other Funds	
Revenues:				
Revenue limit sources:				
State apportionments	\$ 7,000,000	\$ 47,000	—	\$ 7,047,000
Local sources	2,000,000	—	—	2,000,000
Total revenue limit	9,000,000	47,000	—	9,047,000
Federal	861,000	220,000	—	1,081,000
Other state	1,900,000	123,000	\$ 310,000	2,333,000
Other local	300,000	211,200	322,000	833,200
Total revenues	12,061,000	601,200	632,000	13,294,200
Expenditures:				
Certificated salaries	5,500,000	82,200	—	5,582,200
Classified salaries	2,200,000	248,500	—	2,448,500
Employee benefits	1,500,000	64,300	—	1,564,300
Books and supplies	600,000	155,000	—	755,000
Services and other operating expenditures	1,200,000	180,000	79,000	1,459,000
Capital outlay	475,000	—	494,000	969,000
Debt service:				
Principal	100,000	—	104,870	204,870
Interest	25,000	—	93,530	118,530
Total expenditures	11,600,000	730,000	771,400	13,101,400
Excess (deficiency) of revenues over (under) expenditures	461,000	(128,800)	(139,400)	192,800
Other financing sources (uses):				
Transfers—internal activities (Note 5)	(298,000)	108,000	190,000	—
Net change in fund balances	163,000	(20,800)	50,600	192,800
Fund balances, July 1, 20XX	944,000	216,800	256,000	1,416,800
Fund balances, June 30, 20XX	\$ 1,107,000	\$ 196,000	\$ 306,600	\$ 1,609,600

The notes to the financial statements are an integral part of this statement.

XYZ Unified School District
 Reconciliation of the Governmental Funds Statement of
 Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Year Ended June 30, 20XX

Net change in fund balances—Total governmental funds		\$192,800
Amounts reported for governmental activities in the statement of activities are different because:		
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	204,870	
Deferred revenue from sale of land. First payment is due in 7 years.	252,490	
In the statement of activities, certain operating expenses—compensated absences and special termination benefits—are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This year, vacation and sick leave earned (\$51,300) exceeded the amounts used (\$24,295) by \$27,005. Special termination benefits paid (\$903,700) exceeded the amounts earned (\$351,800) by \$551,900.	<u>578,905</u>	<u>1,036,265</u>
Change in net assets of governmental activities		<u>\$1,229,065</u>

The notes to the financial statements are an integral part of this statement.

XYZ Unified School District
Statement of Revenues, Expenditures, and Changes in Fund
Balance – Budget (Non-GAAP) and Actual
General Fund
Year Ended June 30, 20XX

	Budgeted Amounts			Variance with Final Budget Positive – (Negative)
	Original	Final	Actual (Budgetary Basis)	
Revenues:				
Revenue limit sources:				
State apportionments	\$ 7,200,000	\$ 7,150,000	\$ 7,000,000	\$ (150,000)
Local sources	1,950,000	1,950,000	2,000,000	50,000
Total revenue limit	9,150,000	9,100,000	9,000,000	(100,000)
Federal	841,000	841,000	861,000	20,000
Other state	1,820,000	1,800,000	1,900,000	100,000
Other local	300,000	300,000	300,000	—
Total revenues	12,111,000	2,041,000	12,061,000	20,000
Expenditures:				
Certificated salaries	5,320,000	5,300,000	5,500,000	(200,000)
Classified salaries	2,379,000	2,379,000	2,200,000	179,000
Employee benefits	1,500,000	1,500,000	1,500,000	—
Books and supplies	710,000	700,000	600,000	100,000
Services and other operating expenditures	1,220,000	1,200,000	1,200,000	—
Capital outlay	675,000	675,000	475,000	200,000
Debt service:				
Principal	100,000	100,000	100,000	—
Interest	25,000	25,000	25,000	—
Total expenditures	11,929,000	11,879,000	11,600,000	279,000
Excess (deficiency) of revenues over (under) expenditures	182,000	162,000	461,000	299,000
Other financing sources (uses):				
Transfers – internal activities (Note 5)	(298,000)	(298,000)	(298,000)	—
Total other financing sources (uses)	(298,000)	(298,000)	(298,000)	—
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(116,000)	(136,000)	163,000	299,000
Fund balances, July 1, 20XX	944,000	944,000	944,000	—
Fund balances, June 30, 20XX	\$ 828,000	\$ 808,000	\$ 1,107,000	\$ 299,000

The notes to the financial statements are an integral part of this statement.

Note: The variance column is optional.

XYZ Unified School District
Statement of Fund Net Assets
Proprietary Funds
June 30, 20XX

	Business-type Activities–Enterprise Funds *	Governmental Activities
	Food Service	Internal Service Fund
Assets		
Cash in county treasury (Note 2)	—	\$ 300,000
Due from other funds (Note 5)	—	4,000
Total assets	—	\$ 304,000
Liabilities		
Accounts payable	—	14,000
Total liabilities	—	14,000
Net Assets		
Unrestricted	—	290,000
Total net assets	—	\$ 290,000

The notes to the financial statements are an integral part of this statement.

* For the purposes of these financial statements, the Business-type Activities did not affect the net assets for proprietary funds. As there is no net effect, the Business-type Activities–Enterprise Fund is presented for illustrative purposes only. If the district has no Business-type Activities, or there is no effect on the Statement of Net Assets, the statement presentation should be adjusted accordingly.

XYZ Unified School District
Statement of Revenues, Expenses, and Changes
in Fund Net Assets – Proprietary Funds
Year Ended June 30, 20XX

	Business-type Activities–Enterprise Funds *	Governmental Activities
	Food Services	Internal Service Fund
Operating revenues:		
Self-insurance premiums	—	\$ 750,000
Food sales	\$ 10,000	—
Total operating revenues	10,000	—
Operating expenses:		
Payments for health and welfare claims	—	580,000
Payments for food products and services	10,000	—
Contracted services	—	20,000
Total operating expenses	10,000	600,000
Operating income	—	150,000
Non-operating revenue:		
Interest income	—	7,000
Change in net assets:	—	157,000
Total net assets, July 1, 20XX	—	133,000
Total net assets, June 30, 20XX	\$ —	\$ 290,000

The notes to the financial statements are an integral part of this statement.

* For the purposes of these financial statements, the Business-type Activities did not affect the net assets for proprietary funds. As there is no net effect, the Business-type Activities–Enterprise Fund is presented for illustrative purposes only. If the district has no Business-type Activities, or there is no effect on the Statement of Net Assets, the statement presentation should be adjusted accordingly.

XYZ Unified School District
Statement of Cash Flows – Proprietary Funds ¹
Year Ended June 30, 20XX

	Business-type Activities–Enterprise Funds <u>Food Services</u>	Governmental Activities <u>Self-Insurance Fund</u>
Cash flows from operating activities:		
Cash received from premiums	—	\$ 746,000
Cash received from food sales	\$10,000	—
Cash paid for claims	—	(591,000)
Cash paid for food products and services	(10,000)	—
Cash paid for contracted services	—	(20,000)
Net cash provided (used) by operating activities	—	135,000
Cash flows from investing activities:		
Interest income	—	6,000
Net cash flows from investing activities	—	6,000
Net increase (decrease) in cash	—	141,000
Cash, July 1, 20XX	—	159,000
Cash, June 30, 20XX ¹	<u>\$ —</u>	<u>\$ 300,000</u>
Operating income (loss)	—	\$ 150,000
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in due from other funds	—	(4,000)
Increase (decrease) in accounts payable	—	(11,000)
Total adjustments	—	(15,000)
Net cash provided (used) by operating activities	<u>\$ —</u>	<u>\$ 135,000</u>

The notes to the financial statements are an integral part of this statement.

¹ The direct method of reporting net cash flows from operating activities is required.

XYZ Unified School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 20XX

	Private-purpose Trust Scholarship Fund	Agency Funds
Assets		
Cash on hand and in banks (Note 2)	\$ 35,000	\$ 80,000
Liabilities		
Due to student groups	—	80,000
Total liabilities	—	80,000
Net Assets		
Reserved for scholarships	35,000	—
Total net assets	\$ 35,000	—

The notes to the financial statements are an integral part of this statement.

XYZ Unified School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 20XX

	Private- purpose Trust Scholarship Fund
Additions	
Gifts and contributions	<u>\$ 30,000</u>
Deductions	
Scholarships awarded	25,000
Change in net assets	<u>5,000</u>
Net assets – July 1, 20XX	<u>30,000</u>
Net assets – June 30, 20XX	<u><u>\$ 35,000</u></u>

The notes to the financial statements are an integral part of this statement.

XYZ Unified School District
Notes to the Basic Financial Statements
Year Ended June 30, 20XX

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The XYZ Unified School District and the XYZ Unified School District Building Corporation have a financial and operational relationship that meets the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the corporation as a component unit of the district. Accordingly, the financial activities of the corporation have been included in the financial statements of the district.

The following are those aspects of the relationship between the district and the corporation that satisfy GASB Statement No. 14 criteria.

Accountability:

1. The corporation's Board of Directors were appointed by the district's Board of Education.
2. The district is able to impose its will upon the corporation, based on the following:
 - All major financing arrangements, contracts, and other transactions of the corporation must have the consent of the district.
 - The district exercises significant influence over operations of the corporation, as it is anticipated that the district will be the sole lessee of all facilities owned by the corporation. Likewise, it is anticipated that the district's lease payments will be the sole revenue source of the corporation.
3. The corporation provides specific financial benefits or imposes specific financial burdens on the district based upon the following:
 - Any deficits incurred by the corporation will be reflected in the lease payments of the district.
 - Any surpluses of the corporation revert to the district at the end of the lease period.
 - The district has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the corporation.

Scope of Public Service:

The corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State on _____. The corporation was formed for the sole purpose of providing financing assistance to the district for construction and acquisition of major capital facilities. Upon completion, the district intends to occupy all corporation facilities under a lease-purchase agreement effective through 20XX. At the end of the lease term, title of all corporation property will pass to the district for no additional consideration.

Financial Presentation:

For financial presentation purposes, the corporation's financial activity has been blended, or combined, with the financial data of the district. The financial statements present the corporation's financial activity within the Corporation Building Fund and the Corporation Debt Service Fund. Certificates of participation issued by the corporation are included in Debt Service Funds. Fixed assets acquired or constructed by the corporation are included in the Capital Projects Funds.

B. Accounting Policies

The district accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the district conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

C. Fund Accounting

The accounts of the district are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity (or retained earnings), revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The district's accounts are organized into three broad fund categories, which in aggregate include ten individual funds as follows:

Governmental Funds:

The *General Fund* is the general operating fund of the district. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The district maintains five special revenue funds:

- The Child Development Fund is used to account for resources committed to child development programs maintained by the district.
- The Adult Education Fund is used to account for resources committed to adult education programs maintained by the district.
- The Deferred Maintenance Fund is used for the purpose of major repair or replacement of district property.
- The Cafeteria Fund is used to account for revenues received and expenditures made to operate the district's cafeterias.
- The Charter School Fund is used to account for the activities of the district's DEF Charter School.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The district maintains three debt service funds:

- The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

- The Tax Override Fund is used to account for the accumulation of resources from ad valorem tax levies for the repayment of State School Building Fund apportionments. These taxes will continue to be levied until the debt is fully paid.
- The Corporation Debt Service Fund is used to account for the interest and redemption of principal of certificates of participation issued by the XYZ Unified School District Building Corporation.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The district maintains four capital projects funds:

- The Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.
- The State School Building Lease-Purchase Fund is used primarily to account for state apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17070-17080).
- The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
- The Corporation Building Fund is used to account for the construction and acquisition of major capital improvements by the XYZ Unified School District Building Corporation.

Permanent Funds are used to account for resources legally restricted to the extent that earnings can be used, but not the principal amount.

Proprietary Funds:

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the district. The district maintains one internal service fund, the Self-Insurance Fund, which is used to provide medical benefits to its employees.

Enterprise Funds are used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the revenues; (b) has third-party requirements that the cost of providing services, including capital costs, are recovered with fees and charges; or (c) has a pricing policy designed for the fees and charges to recover its costs.

Fiduciary Funds:

Private-Purpose Trust Funds are used to account for assets held by the district as trustee. The district maintains one private purpose trust fund, the Scholarship Fund, which is used to provide financial assistance to students of the district.

Agency Funds are used to account for assets of others for which the district acts as an agent. The district maintains three agency funds, one for each school's student body.

Pension (and Other Employee Benefit) Trust Funds are used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments. Some of the significant changes in the statement include the following:

- For the first time the financial statements include:
 - A Management Discussion and Analysis (MD & A) section providing an analysis of the district’s overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the district’s activities, including infrastructure.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The district is implementing the general provisions of the statement in the current year.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the district’s governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The district’s governing board satisfied these requirements.

These budgets are revised by the district’s governing board and district superintendent during the year to give consideration to unanticipated income and expenditures. This final revised budget is presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The district employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

F. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

G. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the district maintains substantially all its cash in the Sacramento County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Sacramento County Treasury was not available.

2. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not “available for appropriation and expenditure” even though they are a component of net current assets.

The district has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The district has chosen to report the expenditure when incurred.

3. Capital Assets

Capital assets purchased or acquired with an original cost of _____(use district’s established capitalization threshold) or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30

Asset Class	Examples	Estimated Useful Life in Years
Sprinkler/fire system	Fire suppression systems	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery & tools	Shop & maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science & engineering	Lab equipment, scientific apparatus	10
Furniture & accessories	Classroom & other furniture	20
Business machines	Fax, duplicating & printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PCs, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative or long-term	10 to 20
Audio visual equipment	Projectors, cameras (still & digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

5. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the district. The current portion of the liabilities is recognized in the general fund at year-end. The noncurrent portion of the liabilities is not reported.

Accumulated sick leave benefits are not recognized as liabilities of the district. The district's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

6. Long-Term Obligations

The district reports long-term debt of governmental funds at face value in the debt service fund. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventory reflect the portions of fund balance represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure as of the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

8. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Sacramento bills and collects the taxes for the district. Tax revenues are recognized by the district when received.

NOTE 2 - CASH AND INVESTMENTSCash in County Treasury

In accordance with Education Code Section 41001, the district maintains substantially all of its cash in the Sacramento County Treasury as part of the common investment pool (\$914,600 as of June 30, 20XX). The fair market value of this pool as of that date, as provided by the pool sponsor, was \$914,790. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Investments by the district in pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$2,000) as of June 30, 20XX and in the revolving fund (\$2,500) are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Investments

Investments as of June 30, 20XX, held on behalf of the LEA, are presented below, categorized separately to give an indication of the level of risk associated with each investment:

	Category*			Carrying Amount	Fair Value
	1	2	3		
U.S. Treasury notes		\$ 75,000	\$ 80,000	\$ 155,000	\$ 156,000
Certificates of deposit	\$ 400,000			400,000	400,000
Commercial paper	25,000	500,000		525,000	530,000
	<u>\$ 425,000</u>	<u>\$ 575,000</u>	<u>\$ 80,000</u>	<u>\$ 1,080,000</u>	<u>\$1,086,000</u>

* Category 1: Insured or registered, or securities held by the district or its agent in the district's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the district's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty, its trust department, or its agent, but not held in the district's name.

NOTE 3 - Fund Deficits *

This note should state individual fund deficits.

* The illustrative statements contained in this audit guide contain no fund deficits.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 20XX, consist of the following:

	General Fund	Special Revenue Funds	Other Governmental Funds	Total Governmental Funds
Federal government:				
Federal programs	\$ 70,000	\$ 20,000	—	\$ 90,000
State government:				
Categorical aid programs	3,000	9,000	—	12,000
Special allowance	—	—	\$ 25,000	25,000
Deferred maintenance	—	49,000	—	49,000
Total state government	3,000	58,000	25,000	86,000
Local government:				
Developer fees	—	—	9,000	9,000
Other	4,000	—	—	4,000
Total local government	4,000	—	9,000	13,000
Interest	3,000	—	—	3,000
Miscellaneous ¹	2,000	—	—	2,000
Totals	\$ 82,000	\$ 78,000	\$ 34,000	\$ 194,000

NOTE 4A - OTHER RECEIVABLES

Other receivables as of June 30, 20XX, consist of \$210,400 in the general fund. The receivable has been set up as a result of a settlement of a lawsuit in favor of the district.

NOTE 5 - INTERFUND ACTIVITIES

Interfund Activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Due from/Due to Other Funds

Individual fund interfund receivable and payable balances as of June 30, 20XX, are as follows:

Fund	Interfund Receivables	Interfund Payables
General fund	—	\$ 14,000
State school building lease-purchase fund	\$ 10,000	—
Self-Insurance fund	4,000	—
Totals	\$ 14,000	\$ 14,000

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

¹ Detail any material or unusual receivables under either miscellaneous or the appropriate heading.

Interfund transfers for the 20XX-20XX fiscal year are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Cafeteria	General	\$ 50,000
Deferred Maintenance	General	42,000
State School Building	General	60,000
Corporation Debt Service	General	130,000
Total		<u>\$ 282,000</u>

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 20XX, are shown below:

	<u>PRIMARY GOVERNMENT</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 20XX</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 20XX</u>
Sites and improvement	\$ 1,100,000	—	—	\$ 1,100,000
Building and improvements	4,500,000	\$ 1,400,000	—	5,900,000
Machinery and equipment	2,000,000	800,000	\$ 600,000	2,200,000
Work in progress	—	—	—	—
Totals at historical cost	\$7,600,000	\$ 2,200,000	\$ 600,000	\$ 9,200,000
Less accumulated depreciation for:				
Building and improvements	700,000	200,000	—	900,000
Machinery and equipment	500,000	300,000	—	800,000
Total accumulated depreciation	<u>1,200,000</u>	<u>500,000</u>	<u>—</u>	<u>1,700,000</u>
Governmental activities capital assets, net	<u>\$ 6,400,000</u>	<u>\$ 1,700,000</u>	<u>\$ 600,000</u>	<u>\$ 7,500,000</u>

NOTE 7 - CERTIFICATES OF PARTICIPATION

In August 19XX, the XYZ Unified School District Building Corporation issued certificates of participation (COP) in the amount of \$1,500,000, with interest rates ranging from 5.9% to 7.5%. As of June 30, 20XX, the principal balance outstanding was \$1,150,000.

The certificates mature through 20XX as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
20XX	\$ 50,000	\$ 76,000	\$ 126,000
20XX	75,000	70,000	145,000
20XX	100,000	65,000	165,000
20XX	125,000	60,000	185,000
20XX	150,000	50,000	200,000
20XX-20XX	650,000	179,000	829,000
Totals	<u>\$ 1,150,000</u>	<u>\$ 500,000</u>	<u>\$ 1,650,000</u>

NOTE 8 - LEASESCapital Leases

The district leases equipment valued at \$750,000 under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Lease Payments</u>
20XX	\$ 100,000
20XX	100,000
20XX	100,000
20XX	100,000
20XX	50,000
Total	\$ 450,000
Less amount representing interest	(60,000)
Present value of net minimum lease payments	<u>\$ 390,000</u>

The district will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

NOTE 9 - GENERAL OBLIGATION BONDS PAYABLE

The outstanding general obligation bonded debt of the XYZ Unified School District as of June 30, 20XX, is:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 20XX</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 20XX</u>
19XX	4.0%	20XX	\$ 300,000	\$ 55,000	\$ 10,000	\$ 45,000
20XX	6.8%	20XX	600,000	310,000	30,000	280,000
Totals			<u>\$ 900,000</u>	<u>\$ 365,000</u>	<u>\$ 40,000</u>	<u>\$ 325,000</u>

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 20XX, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
20XX	\$ 40,000	\$ 20,100	\$ 60,100
20XX	65,000	20,000	85,000
20XX	30,000	10,200	40,200
20XX	30,000	9,000	39,000
20XX	30,000	8,000	38,000
20XX-20XX	130,000	50,000	180,000
Totals	<u>\$ 325,000</u>	<u>\$ 117,300</u>	<u>\$ 442,300</u>

NOTE 10 - STATE SCHOOL BUILDING LOANS PAYABLE

State school building loans outstanding as of June 30, 20XX, are as follows:

<u>Year Disbursed</u>	<u>Interest Rate</u>	<u>Balance July 1, 20XX</u>	<u>Interest Charge</u>	<u>Repayment Current Year</u>	<u>Outstanding June 30, 20XX</u>
19XX	4.9%	\$ 120,000	\$ 5,500	\$ 20,000	\$ 105,500
20XX	5.0%	6,000	30	400	5,630
Totals		<u>\$ 126,000</u>	<u>\$ 5,530</u>	<u>\$ 20,400</u>	<u>\$ 111,130</u>

State school building loans are secured by all sites purchased and improved; all equipment purchased; and all buildings constructed, reconstructed, altered, or added to through the expenditure of such funds in accordance with Education Code Section 16019.

Annual repayment is determined by the State Controller in accordance with Education Code Section 16214.

NOTE 11 - LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 20XX, is shown below: ¹

	Balance July 1, 20XX	Additions	Deductions	Balance June 30, 20XX
Certificates of participation	\$ 1,200,000	—	\$ 50,000	\$ 1,150,000
Capital leases	490,000	—	100,000	390,000
General obligation bonds	365,000	—	40,000	325,000
State school building loans	126,000	—	14,870	111,130
Compensated absences	75,000	\$ 4,000	—	79,000
Totals	<u>\$ 2,256,000</u>	<u>\$ 4,000</u>	<u>\$ 204,870</u>	<u>\$ 2,055,130</u>

NOTE 12 - JOINT VENTURES (Joint Powers Agreements)

The XYZ Unified School District participates in one joint venture under a joint powers agreement (JPA) with the County School District Insurance Group. The relationship between the XYZ Unified School District and the JPA is such that the JPA is not a component unit of the XYZ Unified School District for financial reporting purposes.

The County School District Insurance Group (CSDIG) arranges for and provides property and liability insurance for its three members: the XYZ Unified School District, the ABC School District, and the Sacramento County Office of Education. The CSDIG is governed by a board consisting of a representative from each member district. The board controls the operations of the CSDIG, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the CSDIG.

NOTE 13 - CHARTER SCHOOLS

The XYZ Unified School District operates the ABC Charter School and the DEF Charter School pursuant to Education Code Section 47605. The financial activities of the ABC Charter School are presented in the district's General Fund and the financial activities of the DEF Charter School are presented in the Charter School Fund.

¹ The additions and deletions to debt presented in this schedule should contain only changes to debt principal. Interest incurred or paid on outstanding debt should not be presented.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. Early Retirement

The board of education has adopted an early retirement incentive program. The district has entered into contracts with certain eligible employees whereby 20 service days per year will be performed before the end of the future five-year period or before age 65, whichever comes first, for a stipulated yearly amount plus employee benefits. The outstanding contract amount for this purpose is \$25,000. This amount is contingent upon the employees performing the required service days per year.

B. Litigation

The district is a defendant in a pending liability lawsuit. The outcome of the litigation is unknown at the present time. The maximum possible judgment against the district is \$10,000.

C. State and Federal Allowances, Awards, and Grants

The district has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

NOTE 15 - SUBSEQUENT EVENTS

The district issued \$400,000 in tax and revenue anticipation notes dated July 1, 20XX, at a discount of \$400. The notes mature on June 30, 20XX and yield 5% interest. The notes were sold to supplement cash flow.

Repayment requirements are that \$200,000 be deposited with the County Treasurer prior to January 31, 20XX, and that the remainder of \$200,000 plus accrued interest of \$20,000 be made prior to May 31, 20XX.

NOTE 16 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

Plan Description and Provisions

PERS:

Plan Description

The district contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute ____% of their salary (____% of monthly salary over \$133.33 if the member participates in Social Security), and the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 20XX-XX was ____% of annual payroll. The contribution requirements of the plan members are established by state statute. The district's contributions to CalPERS for the fiscal year ending June 30, 20XX, 20XX, and 20XX were \$_____, \$_____, and \$_____, respectively, and equal ____% of the required contributions for each year.

STRS:**Plan Description**

The district contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute ____% of their salary. The required employer contribution rate for fiscal year 20XX-XX was ____% of annual payroll. The contribution requirements of the plan members are established by state statute. The district's contributions to STRS for the fiscal year ending June 30, 20XX, 20XX, and 20XX were \$_____, \$_____, and \$_____, respectively, and equal ____% of the required contributions for each year.

NOTE 17 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The district provides postretirement health care benefits to all employees who retire from the district on or after attaining age 60 with at least 15 years of service. On June 30, 20XX, 34 retirees met these eligibility requirements.

The district reimburses 50% of the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees and their dependents. The district also reimburses a fixed amount of \$_____ per month for a Medicare supplement for each retiree eligible for Medicare. Expenditures for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported to the district. During the year ended June 30, 20XX, expenditures of \$_____ were recognized for postretirement health care. Approximately \$_____ of the \$_____ increase in expenditures over the previous year was caused by the addition of dental benefits, effective July 1, 20XX.¹

¹ In a situation where the district's contributions are advance-funded on a nonactuarial basis, disclosure should also include the net assets available for future benefits.

In a situation where the district's contributions are advance-funded on an actuarially determined basis, disclosure should also include:

- The actuarial cost method and significant actuarial assumptions (including the interest rate and, if applicable, the projected salary increase assumption and the health inflation assumption) used to determine funding requirements, and the method used to value plan assets; and
- The employer's actuarially required and actual contributions for the period (net of participant contributions), the amount of net assets available for OPEB, and the actuarial accrued liability and unfunded actuarial accrued liability for OPEB according to the actuarial cost method in use.

XYZ Unified School District
Combining Balance Sheet ¹
Non-Major Special Revenue Funds
June 30, 20XX

	Child Development Fund	Adult Education Fund	Charter School Fund	Deferred Maintenance Fund	Cafeteria Fund	Total Non-Major Special Revenue Funds
Assets						
Cash in county treasury	\$ 10,000	\$ 38,000	\$ 40,000	\$ 40,000	\$ 32,000	\$ 160,000
Cash on hand and in banks	—	—	—	—	2,000	2,000
Accounts receivable	5,000	—	5,000	44,000	24,000	78,000
Stores inventories — supplies	—	—	—	—	5,000	5,000
Stores inventories — food	—	—	—	—	6,000	6,000
Total assets	<u>\$ 15,000</u>	<u>\$ 38,000</u>	<u>\$ 45,000</u>	<u>\$ 84,000</u>	<u>\$ 69,000</u>	<u>\$ 251,000</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable	—	\$ 10,000	15,000	—	\$ 30,000	\$ 55,000
Total liabilities	<u>—</u>	<u>10,000</u>	<u>15,000</u>	<u>—</u>	<u>30,000</u>	<u>55,000</u>
Fund balances:						
Reserved for stores inventories	—	—	—	—	11,000	11,000
Undesignated fund balance	\$ 15,000	28,000	30,000	\$ 84,000	28,000	185,000
Total fund balances	<u>15,000</u>	<u>28,000</u>	<u>30,000</u>	<u>84,000</u>	<u>39,000</u>	<u>196,000</u>
Total liabilities and fund balances	<u>\$ 15,000</u>	<u>\$ 38,000</u>	<u>\$ 45,000</u>	<u>\$ 84,000</u>	<u>\$ 69,000</u>	<u>\$ 251,000</u>

The notes to the financial statements are an integral part of this statement.

¹ Combining statements for non-major funds are not required, but may be presented as supplementary information.

XYZ Unified School District
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances¹
Non-Major Special Revenue Funds
Year Ended June 30, 20XX

	Child Development Fund	Adult Education Fund	Charter School Fund	Deferred Maintenance Fund	Cafeteria Fund	Total Non-Major Special Revenue Funds
Revenues:						
Revenue limit sources:						
State apportionments	—	\$ 47,000	—	—	—	\$ 47,000
Federal	—	—	—	—	\$ 220,000	220,000
Other state	\$ 40,000	—	\$ 20,000	\$ 40,000	23,000	123,000
Other local	—	11,200	1,000	2,000	197,000	211,200
Total revenues	40,000	58,200	21,000	42,000	440,000	601,200
Expenditures:						
Certificated salaries	29,500	52,700	—	—	—	82,200
Classified salaries	5,500	—	—	—	243,000	248,500
Employee benefits	3,000	1,300	—	—	60,000	64,300
Books and supplies	2,000	3,000	—	—	150,000	155,000
Services and other operating expenditures	—	—	46,000	102,000	32,000	180,000
Total expenditures	40,000	57,000	46,000	102,000	485,000	730,000
Excess (deficiency) of revenues over (under) expenditures	—	1,200	(25,000)	(60,000)	(45,000)	(128,800)
Other financing sources:						
Operating transfers in	—	—	16,000	42,000	50,000	108,000
Total other financing sources	—	—	16,000	42,000	50,000	108,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	—	1,200	(9,000)	(18,000)	5,000	(20,800)
Fund balances, July 1, 20XX	15,000	26,800	39,000	102,000	34,000	216,800
Fund balances, June 30, 20XX	\$ 15,000	\$ 28,000	\$ 30,000	\$ 84,000	\$ 39,000	\$ 196,000

The notes to the financial statements are an integral part of this statement.

¹ Combining statements for non-major funds are not required, but may be presented as supplementary information.

XYZ Unified School District
Combining Balance Sheet ¹
Non-Major Capital Projects Funds
June 30, 20XX

	Building Fund	State School Building Lease- Purchase Fund	Capital Facilities Fund	Corporation Building Fund	Total Non-Major Capital Projects Funds
Assets					
Cash in county treasury	\$ 3,000	\$ 21,000	\$ 5,000	—	\$ 29,000
Investments	—	—	—	\$ 80,000	80,000
Accounts receivable	—	25,000	9,000	—	34,000
Due from other funds	—	10,000	—	—	10,000
Total assets	<u>\$ 3,000</u>	<u>\$ 56,000</u>	<u>\$ 14,000</u>	<u>\$ 80,000</u>	<u>\$ 153,000</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	—	\$ 5,000	\$ 2,000	\$ 5,000	\$ 12,000
Total liabilities	<u>—</u>	<u>5,000</u>	<u>2,000</u>	<u>5,000</u>	<u>12,000</u>
Fund balances:					
Undesignated fund balance	\$ 3,000	51,000	12,000	75,000	141,000
Total fund balances	<u>3,000</u>	<u>51,000</u>	<u>12,000</u>	<u>75,000</u>	<u>141,000</u>
Total liabilities and fund balances	<u>\$ 3,000</u>	<u>\$ 56,000</u>	<u>\$ 14,000</u>	<u>\$ 80,000</u>	<u>\$ 153,000</u>

The notes to the financial statements are an integral part of this statement.

¹ Combining statements for non-major funds are not required, but may be presented as supplementary information.

XYZ Unified School District
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances ¹
Non-Major Capital Projects Funds
Year Ended June 30, 20XX

	Building Fund	State School Building Lease- Purchase Fund	Capital Facilities Fund	Corporation Building Fund	Total Non-Major Capital Projects Funds
Revenues:					
Other state	—	\$ 300,000	—	—	\$ 300,000
Other local	—	1,000	\$ 200,000	\$ 22,000	223,000
Total revenues	—	301,000	200,000	22,000	523,000
Expenditures:					
Services and other operating expenditures	\$ 2,000	—	77,000	—	79,000
Capital outlay	—	360,000	114,000	20,000	494,000
Total expenditures	2,000	360,000	191,000	20,000	573,000
Excess (deficiency) of revenues over (under) expenditures	(2,000)	(59,000)	9,000	2,000	(50,000)
Other financing sources:					
Operating transfers in	—	60,000	—	—	60,000
Total other financing sources	—	60,000	—	—	60,000
Excess (deficiency) of revenues and other financing sources over (under) expend- itures and other financing uses	(2,000)	1,000	9,000	2,000	10,000
Fund balances, July 1, 20XX	5,000	50,000	3,000	73,000	131,000
Fund balances, June 30, 20XX	\$ 3,000	\$ 51,000	\$ 12,000	\$ 75,000	\$ 141,000

The notes to the financial statements are an integral part of this statement.

¹ Combining statements for non-major funds are not required, but may be presented as supplementary information.

XYZ Unified School District
Combining Balance Sheet ¹
Non-Major Debt Service Funds
June 30, 20XX

	Bond Interest and Redemption Fund	Tax Override Fund	Corporation Debt Service Fund	Total Non-Major Debt Service Funds
Assets				
Cash in county treasury	\$ 12,000	\$ 13,600	\$ 140,000	\$ 165,600
Total assets	<u>\$ 12,000</u>	<u>\$ 13,600</u>	<u>\$ 140,000</u>	<u>\$ 165,600</u>
Liabilities and fund balances				
Fund balances:				
Reserved for debt service	\$ 12,000	\$ 13,600	\$ 140,000	\$ 165,600
Total fund balances	<u>12,000</u>	<u>13,600</u>	<u>140,000</u>	<u>165,600</u>
Total liabilities and fund balances	<u>\$ 12,000</u>	<u>\$ 13,600</u>	<u>\$ 140,000</u>	<u>\$ 165,600</u>

The notes to the financial statements are an integral part of this statement.

¹ Combining statements for non-major funds are not required, but may be presented as supplementary information.

XYZ Unified School District
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances¹
Non-Major Debt Service Funds
Year Ended June 30, 20XX

	Bond Interest and Redemption Fund	Tax Override Fund	Corporation Debt Service Fund	Total Non-Major Debt Service Funds
Revenues:				
Other state	—	\$ 10,000	—	\$ 10,000
Other local	\$ 70,000	22,000	\$ 7,000	99,000
Total revenues	70,000	32,000	7,000	109,000
Expenditures:				
Debt services:				
Principal	40,000	14,870	50,000	104,870
Interest	23,000	5,530	65,000	93,530
Total expenditures	63,000	20,400	115,000	198,400
Excess (deficiency) of revenues over (under) expenditures	7,000	11,600	(108,000)	(89,400)
Other financing sources:				
Operating transfers in	—	—	130,000	130,000
Total other financing sources	—	—	130,000	130,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	7,000	11,600	22,000	40,600
Fund balances, July 1, 20XX	5,000	2,000	118,000	125,000
Fund balances, June 30, 20XX	\$ 12,000	\$ 13,600	\$ 140,000	\$ 165,600

The notes to the financial statements are an integral part of this statement.

¹ Combining statements for non-major funds are not required, but may be presented as supplementary information.

XYZ Unified School District
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended June 30, 20XX

	Balance July 1, 20XX	Additions	Deductions	Balance June 30, 20XX
<u>XYZ Elementary</u>				
Assets				
Cash	\$ 10,000	\$ 70,000	\$ 70,000	\$ 10,000
Liabilities				
Due to student groups	10,000	70,000	70,000	10,000
<u>XYZ Junior High</u>				
Assets				
Cash	20,000	50,000	49,000	21,000
Liabilities				
Due to student groups	20,000	50,000	49,000	21,000
<u>XYZ High</u>				
Assets				
Cash	45,000	100,000	96,000	49,000
Liabilities				
Due to student groups	45,000	100,000	96,000	49,000
<u>Total of All Agency Funds</u>				
Assets				
Cash	75,000	220,000	215,000	80,000
Liabilities				
Due to student groups	\$ 75,000	\$ 220,000	\$ 215,000	\$ 80,000

The notes to the financial statements are an integral part of this statement.

XYZ Unified School District
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Non-Major Special Revenue Funds
Year Ended June 30, 20XX

	Child Development Fund			Adult Education Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Total Non-Major Capital Projects Funds
Revenues:						
Revenue limit sources:						
State apportionments	—	—	—	\$ 47,000	\$ 47,000	—
Federal	—	—	—	—	—	—
Other state	\$ 42,000	\$ 40,000	\$ (2,000)	—	—	—
Other local	—	—	—	10,000	11,200	\$ 1,200
Total revenues	42,000	40,000	(2,000)	57,000	58,200	1,200
Expenditures:						
Certificated salaries	30,000	29,500	500	54,200	52,700	1,500
Classified salaries	6,000	5,500	500	—	—	—
Employee benefits	4,000	3,000	1,000	1,800	1,300	500
Books and supplies	2,000	2,000	—	3,000	3,000	—
Services and other operating Expenditures	—	—	—	—	—	—
Total expenditures	42,000	40,000	2,000	59,000	57,000	2,000
Excess (deficiency) of revenues Over (under) expenditures	—	—	—	(2,000)	1,200	3,200
Other financing sources:						
Operating transfers in	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	—
Excess (deficiency) of revenues and Other financing sources over (under) expenditures and other financing uses	—	—	—	(2,000)	1,200	3,200
Fund balances, July 1, 20XX	15,000	15,000	—	26,800	26,800	—
Fund balances, June 30, 20XX	\$ 15,000	\$ 15,000	—	\$ 24,800	\$ 28,000	\$ 3,200

The notes to the financial statements are an integral part of this statement.

Charter School Fund			Deferred Maintenance Fund			Cafeteria Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	\$212,000	\$220,000	\$ 8,000
\$ 28,000	\$ 20,000	\$ (8,000)	\$ 40,000	\$ 40,000	—	22,000	23,000	1,000
1,500	1,000	(500)	3,500	2,000	\$ (1,500)	202,000	197,000	(5,000)
29,000	21,000	(8,500)	43,500	42,000	(1,500)	436,000	440,000	4,000
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	240,000	243,000	(3,000)
—	—	—	—	—	—	61,000	60,000	1,000
—	—	—	—	—	—	152,000	150,000	2,000
48,000	46,000	2,000	100,000	102,000	(2,000)	27,000	32,000	(5,000)
48,000	46,000	2,000	100,000	102,000	(2,000)	480,000	485,000	(5,000)
(185,500)	(25,000)	(6,500)	(56,500)	(60,000)	(3,500)	(44,000)	(45,000)	(1,000)
16,000	16,000	—	56,500	42,000	(14,500)	50,000	50,000	—
16,000	16,000	—	56,500	42,000	(14,500)	50,000	50,000	—
(2,500)	(9,000)	(6,500)	—	(18,000)	(18,000)	6,000	5,000	(1,000)
39,000	39,000	—	102,000	102,000	—	34,000	34,000	—
\$ 36,500	\$ 30,000	\$ (6,500)	\$ 102,000	\$ 84,000	\$ (18,000)	\$ 40,000	\$ 39,000	\$ (1,000)

Totals		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 47,000	\$ 47,000	—
212,000	220,000	\$ 8,000
132,000	123,000	(9,000)
217,000	211,200	(5,800)
608,000	601,200	(6,800)
84,200	82,200	2,000
246,000	248,500	(2,500)
66,800	64,300	2,500
157,000	155,000	2,000
175,000	180,000	(5,000)
729,000	730,000	(1,000)
(121,000)	(128,800)	(7,800)
122,500	108,000	(14,500)
122,500	108,000	(14,500)
1,500	(20,800)	(22,300)
216,800	216,800	—
\$ 218,300	\$ 196,000	\$ (22,300)

XYZ Unified School District
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Non-Major Capital Projects Funds
Year Ended June 30, 20XX

	Building Fund			State School Building Lease-Purchase Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Other state	—	—	—	\$ 290,000	\$ 300,000	\$ 10,000
Other local	—	—	—	—	1,000	1,000
Total revenues	—	—	—	290,000	301,000	11,000
Expenditures:						
Services and other operating expenditures	\$ 3,000	\$ 2,000	\$ 1,000	—	—	—
Capital outlay	—	—	—	375,000	360,000	15,000
Total expenditures	3,000	2,000	1,000	375,000	360,000	15,000
Excess (deficiency) of revenues over (under) expenditures	(3,000)	(2,000)	1,000	(85,000)	(59,000)	26,000
Other financing sources:						
Operating transfers in	—	—	—	85,000	60,000	(25,000)
Total other financing sources	—	—	—	85,000	60,000	(25,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures other financing uses	(3,000)	(2,000)	1,000	—	1,000	1,000
Fund balances, July 1, 20XX	5,000	5,000	—	50,000	50,000	—
Fund balances, June 30, 20XX	\$ 2,000	\$ 3,000	\$ 1,000	\$ 50,000	\$ 51,000	\$ 1,000

The notes to the financial statements are an integral part of this statement.

Capital Facilities Fund			Corporation Building Fund			Totals		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
—	—	—	—	—	—	\$ 290,000	\$ 300,000	\$ 10,000
\$198,000	\$200,000	\$ 2,000	\$ 17,000	\$ 22,000	\$ 5,000	215,000	223,000	8,000
198,000	200,000	2,000	17,000	22,000	5,000	505,000	523,000	18,000
77,000	77,000	—	—	—	—	80,000	79,000	1,000
115,000	114,000	1,000	20,000	20,000	0	510,000	494,000	16,000
192,000	191,000	1,000	20,000	20,000	0—	590,000	573,000	17,000
6,000	9,000	3,000	(3,000)	2,000	5,000	(85,000)	(50,000)	35,000
—	—	—	—	—	—	85,000	60,000	(25,000)
—	—	—	—	—	—	85,000	60,000	(25,000)
6,000	9,000	3,000	(3,000)	2,000	5,000	—	10,000	10,000
3,000	3,000	—	73,000	73,000	—	131,000	131,000	—
\$ 9,000	\$ 12,000	\$ 3,000	\$ 70,000	\$ 75,000	\$ 5,000	\$ 131,000	\$ 141,000	\$ 10,000

XYZ Unified School District
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Non-Major Debt Service Funds
Year Ended June 30, 20XX

	Bond Interest and Redemption Fund			Tax Override Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Other state	—	—	—	\$ 10,000	\$ 10,000	—
Other local	\$ 68,000	\$ 70,000	\$ 2,000	21,000	22,000	\$ 1,000
Total revenues	68,000	70,000	2,000	31,000	32,000	1,000
Expenditures:						
Debt service:						
Principal	40,000	40,000	—	14,870	14,870	—
Interest	23,000	23,000	—	5,530	5,530	—
Total expenditures	63,000	63,000	—	20,400	20,400	—
Excess (deficiency) of revenues over (under) expenditures	5,000	7,000	2,000	10,600	11,600	1,000
Other financing sources:						
Operating transfers in	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	—
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	5,000	7,000	2,000	10,600	11,600	1,000
Fund balances, July 1, 20XX	5,000	5,000	—	2,000	2,000	—
Fund balances, June 30, 20XX	\$ 10,000	\$ 12,000	\$ 2,000	\$ 12,600	\$ 13,600	\$ 1,000

The notes to the financial statements are an integral part of this statement.

Corporation Debt Service Fund			Totals		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
—	—	—	\$ 10,000	\$ 10,000	—
\$ 6,000	\$ 7,000	\$ 1,000	95,000	99,000	\$ 4,000
6,000	7,000	1,000	105,000	109,000	4,000
50,000	50,000	—	104,870	104,870	—
65,000	65,000	—	93,530	93,530	—
115,000	115,000	—	198,400	198,400	—
(109,000)	(108,000)	1,000	(93,400)	(89,400)	4,000
130,000	130,000	—	130,000	130,000	—
130,000	130,000	—	130,000	130,000	—
21,000	22,000	1,000	36,600	40,600	4,000
118,000	118,000	—	125,000	125,000	—
\$ 139,000	\$ 140,000	\$ 1,000	\$ 161,600	\$ 165,600	\$ 4,000

Supplementary Information Section

The following supplementary information should be included with the auditor report. Examples can be found in Appendix A of the K-12 Audit Guide.

Organization

Schedule of Average Daily Attendance

Schedule of Instructional Time

Schedule of Financial Trends and Analysis

Schedule of Expenditures of Federal Awards

Notes to the Schedule of Expenditures of Federal Awards

Reconciliation of Annual Financial and Budget Report (J-200)
with Audited Financial Statements

Notes to Supplementary Information

OTHER INDEPENDENT AUDITOR'S REPORTS

Report on Compliance and on Internal Control over Financial Reporting Based
on an Audit of Financial Statements Performed in Accordance with
Governmental Auditing Standards

Report on Compliance with Requirements Applicable to Each Major Program
and Internal Control over Compliance in Accordance with OMB Circular A-133

Auditor's Report on State Compliance

FINDINGS AND RECOMMENDATIONS SECTION

Schedule of Audit Findings and Questioned Costs

Summary Schedule of Prior Audit Findings